

MEMO TO: M.Jones

DATE: 10 Feb 82

FROM: M.Tomczyk

COMPANY CONFIDENTIAL

SUBJECT: Position Recommendation -- TI Price/Rebate

GOAL

To adopt a public and marketing "position" regarding VIC-20 pricing versus other computers and game machines...to be applied when speaking to the press or other audiences outside Commodore.

BACKGROUND

In the summer of 82, Texas Instruments effectively lowered the retail price of their TI99/4a to \$199 by reducing the retail to \$299 and giving the customer a \$100 rebate. Several other companies followed suit (Atari and Mattel offered rebates)

Commodore took a different approach and reduced the wholesale price of the VIC-20 to \$167 and let the marketplace determine the retail price -- which promptly fell to between \$169-189.

In February 1982, Commodore further reduced the wholesale of the VIC-20, to \$125-135...which lowered the retail price to \$139-159.

Texas Instruments reduced the price of their TI99/4A to \$249 and held onto their \$100 customer rebate which gave them an effective retail price of \$149.

We are also getting pressure from the \$100 price point. TI's new 99/2 is priced at \$99 and joins Sinclair/Timex at that price point. Atari's new \$90 "computer" keyboard add-on (MY FIRST COMPUTER) for their game machine also puts them in the running (the game machine sells for as low as \$79-99 and the keyboard attachment can be expected to sell for under \$90).

The Atari 400 and Radio Shack Color Computer have had little or no impact on VIC-20 positioning or sales.

CONCLUSION

Texas Instruments has become our hottest competitor in the VIC-20 (\$100-200) price range and we're also getting pressure from below at the \$100 price point. We need to position the VIC-20 in terms of these competitive factors not only to react to them, but to jump ahead and stay there.

RECOMMENDED POSITION

I recommend we adopt the following marketing position when speaking to the press or other outside audiences:

1. The Commodore VIC-20 is priced below the Texas Instruments computer without the inconvenience of a customer rebate.

2. The Commodore VIC-20 is a superior computer at any price (i.e. its BASIC runs faster than TI's, it's cheaper to expand, it has a friendlier manual for first-time computerists, more functions on the keyboard, and all peripherals work with the COMMODORE 64 for those who want to trade up later).

3. Only companies that are having trouble selling products resort to customer rebates. Commodore is not having any trouble selling the VIC-20. We do not offer a rebate and have no plans whatsoever to do so. The concept of a rebate should be criticized as an inconvenience to the customer and a desperation measure by the manufacturer. [NOTE: TI can be expected to eliminate the rebate at some point soon and drop the retail price]

4. The VIC-20 is the least expensive full-featured color computer ever introduced...and still is the least expensive color computer. It's also the first computer to sell 1 million units.

5. Why pay \$100 for a severely limited black and white "toy" computer like the TI 99/2 or Sinclair/Timex when you can get a full-featured color VIC-20 for a few dollars more? Why pay \$90 for a keyboard add-on/patch job to a game machine like the Atari VCS when a fully expandable computer costs less than \$200?

6. Game machines priced higher than computers are poor values when you consider that computers play great games and compute, too. Game machine sales declined starting Christmas 1982 because consumers are buying computers instead. Game machines will wind up gathering dust on closet shelves (an example is Atari's old "Pong" machine) but home computers will not suffer that fate because they have the ability to grow with the user...and because of their expansion features.

7. We do not disclose or discuss wholesale prices outside the company.

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